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# CAMFLO MINES LIMITED

## Annual Report

1968









# CAMFLO MINES LIMITED

ANNUAL REPORT TO SHAREHOLDERS FOR YEAR ENDED DECEMBER 31, 1968



*Winter view of surface plant of Camflo Mines Limited, showing new 1000 ton per day mill building centre right.*



#### OFFICERS

A. W. STOLLERY, *Chairman*  
GEORGE T. SMITH, *President*  
C. M. MASTERMAN, *Secretary*  
K. E. ELRICK, *Treasurer*

#### DIRECTORS

H. BENSON, Montreal, Quebec  
R. F. ELLIOTT, Q.C., Montreal, Quebec  
R. E. FASKEN, Toronto, Ontario  
B. A. O'BRIEN, Ottawa, Ontario  
G. T. SMITH, Toronto, Ontario  
A. W. STOLLERY, Toronto, Ontario  
S. Z. ZACKS, Toronto, Ontario

#### MINE STAFF

*Mine Manager*, S. C. BROWN, P.Eng. (Ont.)  
*Assistant Mine Manager*, DR. B. K. MEIKLE  
*Chief Geologist*, A. MAKILA, B.Sc.  
*Chief Engineer*, G. FLEMING, P.Eng. (Ont.)  
*Mine Superintendent*, A. MAILLOUX  
*Mill Superintendent*, R. BOURGEOIS  
*Mechanical Superintendent*, D. LALONDE  
*Mine Accountant*, F. VODOPIVEC

#### AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON  
Toronto, Ontario

#### BANKERS

THE TORONTO-DOMINION BANK  
Toronto, Ontario

#### REGISTRAR AND TRANSFER AGENT

THE ROYAL TRUST COMPANY  
Toronto, Ottawa, Montreal

#### SHARE LISTING

TORONTO STOCK EXCHANGE  
CANADIAN STOCK EXCHANGE

#### EXECUTIVE OFFICE AND HEAD OFFICE

Suite 1700, 11 King Street West,  
Toronto, Ontario

#### MINE OFFICE

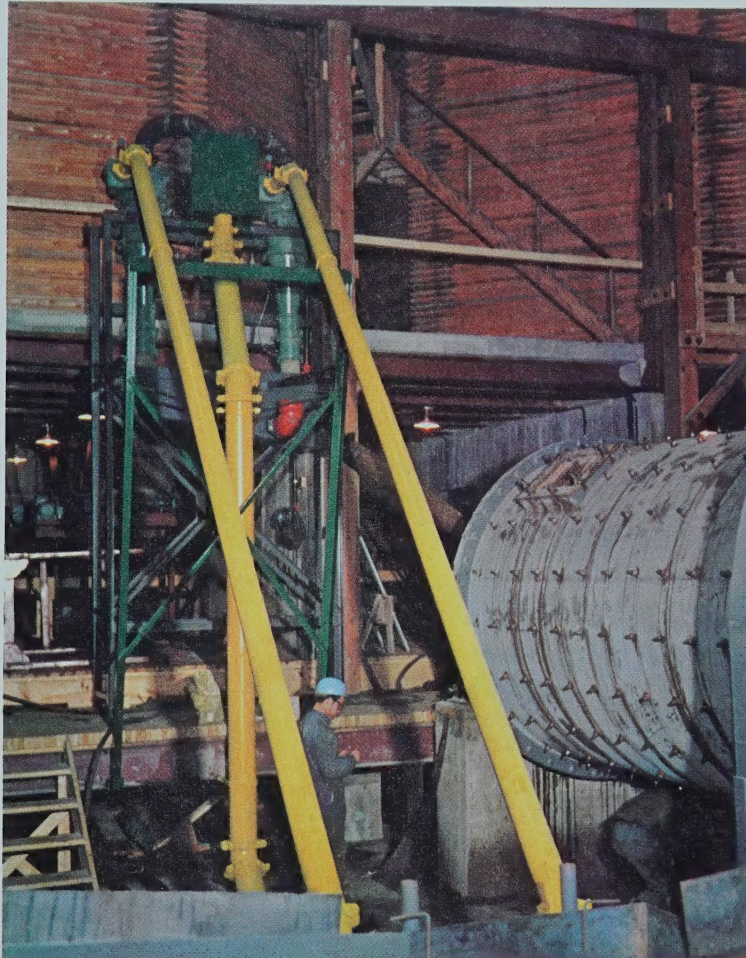
Box 640, Malartic, Quebec



# CAMFLO MINES LIMITED



*Interior view of new mill building, grinding section.*



## HIGHLIGHTS

Net Earnings of \$933,678 equal to 27.4¢ per issued share, down slightly from \$980,035 or 28.8¢ per share in 1967 in spite of major development programmes undertaken during the year.

Shaft deepening programme completed on schedule and within budget.

Mill construction programme within estimates and start-up operations commence March, 1969.

Following commencement of gold sales on free market in June, 1968, average price of \$41.35 per ounce received for the year.



## COMPARATIVE SUMMARY OF OPERATIONS

|   | 1968                   | 1967            | 1966                | 1965<br>(May-Dec.) |
|---|------------------------|-----------------|---------------------|--------------------|
| <b>Tonnage Milled</b> .....                             | <b>362,734</b>         | 366,419         | 265,950             | 152,457 (a)        |
| Monthly average .....                                   | <b>30,228</b>          | 30,535          | 22,162              | 19,057             |
| Recovered grade (oz./ton) .....                         | <b>.253</b>            | 0.264           | 0.2885              | 0.2365             |
| <br><b>Value of Bullion</b> .....                       | <br><b>\$3,787,957</b> | <br>\$3,666,217 | <br>\$2,880,699 (b) | <br>\$1,358,576    |
| Ounces gold recovered .....                             | <b>91,608</b>          | 96,855          | 76,719              | 36,063             |
| Ounces silver recovered .....                           | <b>2,177</b>           | 1,866           | 1,770               | 1,020              |
| Value received per ton (gold) .....                     | <b>\$ 10.44</b>        | \$ 9.997        | \$ 10.83            | \$ 8.91            |
| Value received per ounce (gold) .....                   | <b>\$ 41.35</b>        | \$ 37.82        | \$ 37.55 (b)        | \$ 37.67           |
| <br><b>Operating Profit</b> (inc. E.G.M.A.) .....       | <br><b>\$1,484,963</b> | <br>\$1,475,276 | <br>\$1,185,341     | <br>\$ 426,815     |
| Per issued share .....                                  | <b>43.6¢</b>           | 43.3¢           | 34.9¢               | 12.6¢              |
| Issued shares (December 31st) .....                     | <b>3,408,107</b>       | 3,406,107       | 3,396,607           | 3,377,777          |
| Per ton milled .....                                    | <b>\$ 4.09</b>         | \$ 4.03         | \$ 4.46             | \$ 2.80            |
| E.G.M.A. Cost-Aid .....                                 | <b>\$ 40,000</b>       | \$ 5,650        | \$ 43,590           | \$ 127,379 (c)     |
| E.G.M.A. Cost-Aid per ounce .....                       | <b>43.7¢</b>           | 5.8¢            | 56.8¢               | \$ 3.53            |
| <br><b>Mine Operating Costs</b> (exc. E.G.M.A.) .....   | <br><b>\$2,191,941</b> | <br>\$2,092,612 | <br>\$1,665,144     | <br>\$1,090,288    |
| Per ton milled .....                                    | <b>\$ 6.04</b>         | \$ 5.71         | \$ 6.26             | \$ 7.15            |
| Per ounce recovered .....                               | <b>\$ 23.93</b>        | \$ 21.62        | \$ 21.57            | \$ 30.01           |
| <br><b>Cash Flow from Operations</b> (inc. E.G.M.A.) .. | <br><b>\$1,373,463</b> | <br>\$1,359,276 | <br>\$1,035,657     | <br>\$ 634,271     |
| Per issued share .....                                  | <b>40.3¢</b>           | 39.9¢           | 30.5¢               | 18.8¢              |
| <br><b>Net Income</b> .....                             | <br><b>\$ 933,678</b>  | <br>\$ 980,035  | <br>\$ 686,704      | <br>\$ 176,359     |
| Per issued share .....                                  | <b>27.4¢</b>           | 28.8¢           | 20.2¢               | 5.2¢               |

NOTE: (a) Includes 13,741 tons in surface stockpile, milled in 1966 but taken into 1965 income.

(b) Includes adjustment arising from re-evaluation of stockpile.

(c) Adjustment for reduction of E.G.M.A. Cost-Aid for 1965 (See Statement of Retained Earnings).





# CAMFLO MINES LIMITED

## REPORT OF THE DIRECTORS

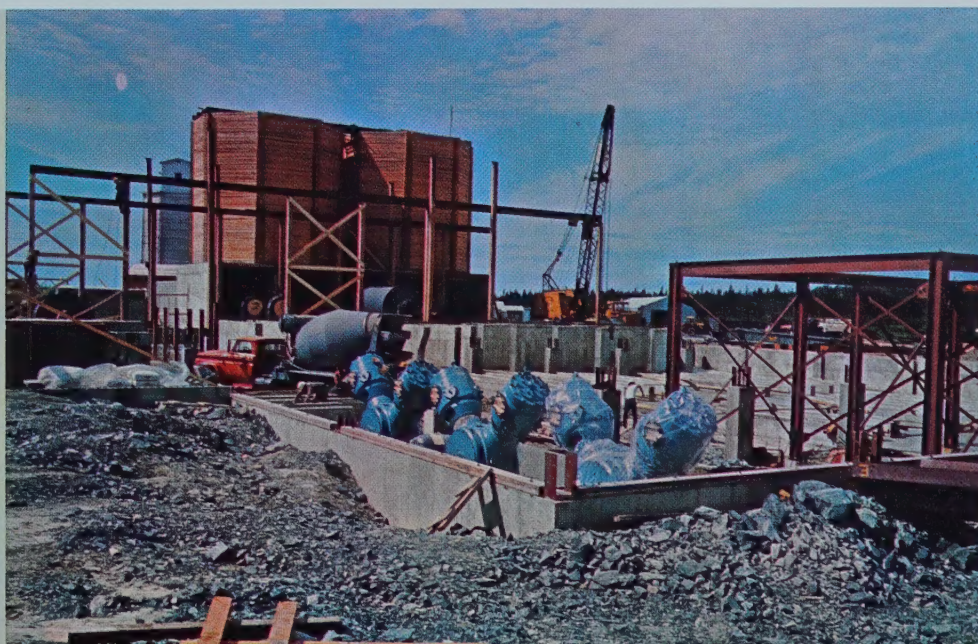
To the Shareholders:

Your Directors are pleased to present the Annual Report of the Company for the year ended December 31st, 1968. Included herein are the report of the Mine Manager and audited financial statements.

### General Review

The year 1968, the fourth year of operation, was one of major capital expenditures. The shaft sinking programme, which deepened the shaft from 1600 feet to 2200 feet, was carried out by the Company's own personnel with minimum interference to normal mining operations. An underground 36" x 48" primary jaw crusher was installed at the 1500 foot level and a second similar crusher was ordered and is now being installed at the 2100 foot level. Work on the new 1000 ton per day mill at the Company's property started in April 1968 and proceeded on schedule during the year. All major parts of the plant are now operational and tune up operations are being commenced.

The capital cost of the completed mill and related facilities will be slightly under \$1.5 million, which is in accordance with original estimates. In June 1968 it was decided to discontinue gold sales to the Royal Canadian Mint and to sell bullion on the open market. Average price per ounce received for gold bullion sold during the period July to December 1968 was \$43.24 per ounce and for the year as a whole \$41.35 per ounce.



Early construction of mill building.



## Financial

Net earnings for the year were moderately lower at \$933,678 or 27.4 cents per share as against \$980,035 or 28.8¢ in 1967. While the value of the bullion production increased from \$3,666,217 to \$3,787,957 as a result of higher prices received for gold, gold production actually declined from 96,855 ounces to 91,608 ounces. This was partially a result of a slightly lower tonnage milled but mainly because of the treatment of a lower grade of ore during the year. The average recovered grade for 1968 was 0.253 ounces per ton compared with 0.264 ounces in 1967. Operating expenses increased during the year and were attributable to higher milling costs, interest charges to finance the mill construction programme, wage increases, improvements to employee medical plan, and introduction of an employee pension plan. Dividends paid during the year amounted to \$511,216 or 15¢ per share as against \$681,221 or 20¢ per share during 1967. Your Directors felt that a reduction in the dividend rate for 1968 was necessary in light of the heavy capital expenditure programme undertaken during the year and the desire to avoid excessive debt commitments for this purpose. To finance the cost of the mill construction the Company borrowed \$1,000,000 from its Bankers.

Grinding section of new 1000 ton per day mill.



## Mine Operations

Stope development took place on the 1100 foot, 1300 foot and 1500 foot levels during the year. As will be seen from the report of the Mine Manager, some 66% of the year's production came from the 600 to 1100 foot horizon of the mine. Mine production during the year amounted to 362,734 dry tons with an average recovered grade of 0.253 ounces. This compares with 366,419 dry tons grading



0.264 ounces in 1967. Total production from inception of the mine in 1965 to December 31st, 1968, has amounted to 1,164,498 dry tons at a recovered grade of 0.261 ounces per ton giving 304,447 ounces of gold.

The shaft sinking programme which deepened the shaft 631 feet from 1676 feet to 2307 was carried out by Company employees and proceeded most satisfactorily. In this connection the Company purchased all necessary shaft sinking equipment which will be available for additional shaft deepening when required. The installation of underground crushing stations will increase hoisting capacity and help to improve the efficiency of underground mining operations.

## **Ore Reserves**

At December 31st, 1968, total broken and drilled-off ore reserves amounted to 485,145 tons compared with 426,484 tons at December 31st, 1967. Total proven and indicated ore reserves at year end down to the 1650 foot horizon of the mine, allowing for dilution, amounted to 1,715,303 tons grading 0.249 ounces per ton as against 2,078,037 tons grading 0.250 ounces per ton at December 31st, 1967. During the year no additions were made to ore reserves owing to the curtailment of development work while shaft deepening was in progress. However, in 1969, with the opening of four new levels between the 1650 and 2100 horizons at 150 foot intervals, new ore will be developed.

## **Mine Development**

The initial primary underground crushing station just above the 1500 foot level consisting of a 36" x 48" jaw crusher fed from an ore pass system connecting the upper levels of the mine became operational early in 1968. A second underground crushing station above the 2100 foot level has been excavated and a second jaw crusher is being installed. To feed this crusher a new ore pass system has been driven to the 1650 foot level and drifting and cross cutting on this level and the 1800 foot level will get underway shortly. Concurrent with this work diamond drilling will be undertaken. Full details of these programmes are set out in the accompanying report of the Mine Manager.

## **Mill Construction**

The mill construction programme which started in April 1968 has proceeded most satisfactorily with no unforeseen difficulties being encountered. Pictures of the mill in its various stages of construction and as now completed are included in this report. The crushing section of the plant is operating and the mill ore bins are in the process of being filled. Various sections of the mill have been turned over with no mechanical problems indicated. Actual operation of the mill is planned to start early in April with the plant being gradually increased to full capacity during the period ending June 30th, 1969, when the Company's existing custom milling contract will expire. Thereafter all mine production will be treated in the Company's mill. As a result, direct operating cost savings of some \$200,000 should be achieved in the second half of 1969 compared with the similar period of 1968. Your Directors feel that the construction of this mill on schedule as to time and cost in light of existing labour and inflationary problems represents a significant achievement by the Mine Staff, contractors and employees.



## Outside Exploration

The Company is continuing with a modest exploration programme and during 1968, a small group of claims were staked in Kreighoff Township located in the Chibougamau area. Line cutting, electro-magnetic surveys and three shallow drill holes totalling 1500 feet were completed with no economic results. This property is being maintained pending a deep drilling programme which is being undertaken by other companies in the area. In 1969 four claims were optioned and an additional five claims staked in Marriot Township located on the Ontario-Quebec border, magnetometer and elecromagnetic surveys have been completed and drilling is planned on these claims in May, 1969.

## Acknowledgements

During the year a number of changes and additions were made to the Company's Mine Staff reflecting the increasing operational activity. Mr. W. Ball, Mine Superintendent from the start of operations, retired in May having reached normal retirement age. Mr. A. Makila was appointed Chief Geologist, Mr. G. Fleming Chief Engineer, Mr. A. Mailloux Mine Superintendent, Mr. R. Bourgeois Mill Superintendent and Mr. D. Lalonde Mechanical Superintendent. To these men and other members of the Mine Staff and employees your Directors wish to express their appreciation for the results achieved in 1968. The continual interest and support of the Company's shareholders is also acknowledged.

On behalf of the Board,

"A. W. STOLLERY",  
Chairman.

"GEO. T. SMITH",  
President.

Toronto, Canada  
March 24th, 1969.

*Aerial view of surface plant of Camflo Mines Limited.*





9000 E

9500 E

10000 E

10500 E

*Porphyry Stock  
(Projected onto Longitudinal Section)*

300 Level

450 Level

600 Level

750 Level

900 Level

No.1 Loading Pocket

1100 Level

1300 Level

No.1 Crusher Room

1500 Level

No.2 Loading Pocket

1650 Level

1800 Level

1950 Level

No.2 Crusher Room

2100 Level

No.3 Loading Pocket

2250 Level



STOPED OUT



STOPED & BROKEN ORE 1967



STOPED & BROKEN ORE 1968



DEVELOPMENT WORK 1968

## LONGITUDINAL SECTION

LOOKING NORTH

0 100 200 300 400 500

FEET



## REPORT OF THE MINE MANAGER

To the Chairman of the Board, President and Directors:

The following report details operations of the company's mine in the Malartic Area, Quebec, for the year ended December 31, 1967, together with comparative statistics, where applicable, for prior years.

### Summary

During the year 362,734 tons of mine ore were shipped to the custom mill for treatment. The average recovered grade of this ore was 0.2526 ounce of gold per ton for a total of 91,608.018 ounces. In addition 2,177.11 ounces of silver were recovered. The average recovery in the custom mill was 96.72% and the calculated head grade averaged 0.2612 ounce of gold per ton.

Throughout the year 1,300 tons were added to the surface stockpile and as at December 31, 1968, the surface stockpile totalled 2,800 tons of an average grade of 0.224 ounce of gold per ton.

### Production

|                              | <u>1968</u>   | <u>1967</u>   | <u>1966</u>   | <u>1965</u>   |
|------------------------------|---------------|---------------|---------------|---------------|
| Tons of ore broken . . . . . | 310,806       | 385,190       | 398,242       | 191,056       |
| Tons of ore milled . . . . . | 362,734       | 366,419       | 265,950       | 152,457       |
| Average recovery . . . . .   | 0.2526 oz/ton | 0.2640 oz/ton | 0.2885 oz/ton | 0.2365 oz/ton |

### Mine Operating Costs

|                                   | <u>1968</u>        |                            | <u>1967</u>                | <u>1966</u>                | <u>1965</u>                |
|-----------------------------------|--------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                   | <u>Total cost</u>  | <u>Cost per ton milled</u> | <u>Cost per ton milled</u> | <u>Cost per ton milled</u> | <u>Cost per ton milled</u> |
| Development . . . . .             | \$ 72,228          | \$ 0.197                   | \$ 0.375                   | \$ 0.452                   | \$ 0.997                   |
| Mining . . . . .                  | 1,038,583          | 2.863                      | 2.809                      | 3.576                      | 3.851                      |
| Milling . . . . .                 | 725,468            | 2.00                       | 1.736                      | 1.323                      | 1.353                      |
| Transportation of ore . . . . .   | 98,307             | 0.271                      | 0.274                      | 0.279                      | 0.289                      |
| General expense at mine . . . . . | 230,259            | 0.634                      | 0.454                      | 0.551                      | 0.607                      |
| Marketing . . . . .               | 27,096             | 0.074                      | 0.069                      | 0.078                      | 0.053                      |
|                                   | <u>\$2,191,941</u> | <u>\$ 6.039</u>            | <u>\$ 5.717</u>            | <u>\$ 6.259</u>            | <u>\$ 7.150</u>            |

### Notes re Costs

The decrease in development costs is the result of the reduction of development work during the period of shaft deepening. The increase in the cost per ton of ore milled during 1968 to \$2.00 compared with an average of \$1.736 for 1967 reflects the increase during the second half of 1967 of \$0.65 per ton from the previous rate of \$1.35 per ton. The increase in general expense at the mine is due to the combined effect of the introduction of a pension plan, improved medical insurance plan, expansion of facilities required for the mill, addition to employees, and appropriate increases for workmen's compensation, unemployment insurance contributions, etc.



# CAMFLO MINES LIMITED



## Summary of Stope Extraction by Levels

|                          | <u>Tons</u>    | <u>Grade</u>        |
|--------------------------|----------------|---------------------|
| 450 — 600 Levels .....   | 47,905         | 0.212 oz/ton        |
| 600 — 750 Levels .....   | 29,128         | 0.223 oz/ton        |
| 750 — 900 Levels .....   | 121,237        | 0.284 oz/ton        |
| 900 — 1100 Levels .....  | 42,969         | 0.204 oz/ton        |
| 1100 — 1300 Levels ..... | 102,586        | 0.291 oz/ton        |
| 1300 — 1500 Levels ..... | *18,909        | *0.149 oz/ton       |
|                          | <u>362,734</u> | <u>0.253 oz/ton</u> |

\* Preliminary stope development muck which includes low grade.

## Mine Development

The following is a summary of the underground development footages for 1968 with comparative figures for 1967, 1966 and 1965:

|                                 | <u>1968</u> | <u>1967</u> | <u>1966</u> | <u>1965</u> |
|---------------------------------|-------------|-------------|-------------|-------------|
| Drifting and crosscutting ..... | 1,074       | 3,618       | 3,228       | 2,813       |
| Raising .....                   | 1,641       | 2,823       | 3,486       | 1,374       |
| Diamond drilling .....          | 18,254      | 34,684      | 32,011      | 48,181      |
| Stope preparation — Feet .....  | 5,136       | 5,565       | 5,597       | 3,406       |
| — Tons .....                    | 22,213      | 36,977      | 47,360      | 46,828      |

## Ore Reserves

The total of proven and indicated ore reserves as at December 31, 1968, are estimated at 1,715,303 tons of an average recoverable grade of 0.249 ounce of gold per ton. Included in the proven ore reserves are 485,145 tons of broken and drilled-off ore. There was a net decrease of total proven and indicated ore reserves during the year of 362,734 tons, representing the tonnage milled. Diamond drilling, scheduled to commence during April of 1969 on the 1650 level and subsequently on lower levels as they become available, can be expected to add to the reserves.

The proven reserves are based on stope development from the 450 level to the 1500 level (see appended longitudinal section) and indicated reserves are calculated in the block from the 1500 level to the 1650 foot level. A summary of these reserves with comparative figures for 1967, 1966 and 1965, is as follows:

## Broken and Drilled-Off Reserves

|  | <u>Year End<br/>1968</u> | <u>Year End<br/>1967</u> | <u>Year End<br/>1966</u> | <u>Year End<br/>1965</u> |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Broken ore underground .....           | 151,260 tons             | 203,030 tons             | 183,535 tons             | 52,820 tons              |
| Stockpile ore .....                    | 2,800 tons               | 1,500 tons               | 828 tons                 | 16,037 tons              |
| Total broken ore .....                 | 154,060 tons             | 204,536 tons             | 184,363 tons             | 68,857 tons              |
| Ore drilled-off and ready for blasting | 331,085 tons             | 221,954 tons             | 119,260 tons             | 63,966 tons              |
| Total .....                            | <u>485,145 tons</u>      | <u>426,484 tons</u>      | <u>303,983 tons</u>      | <u>132,823 tons</u>      |



### Total Ore Reserves

|                                     | Year End<br>1968 | Year End<br>1967 | Year End<br>1966 | Year End<br>1965 |
|-------------------------------------|------------------|------------------|------------------|------------------|
| Broken and Proven                   |                  |                  |                  |                  |
| Tons .....                          | 1,416,222        | 1,778,956        | 1,508,762        | 1,122,000        |
| Grade .....                         | 0.254            | 0.254            | 0.257            | 0.255            |
| Indicated                           |                  |                  |                  |                  |
| Tons .....                          | 299,081          | 299,081          | 531,903          | 322,000          |
| Grade .....                         | 0.227            | 0.277            | 0.240            | 0.265            |
| Total Tons .....                    | (a) 1,715,303    | (a) 2,078,037    | 2,040,665        | 1,444,000        |
| Estimated average recoverable grade | 0.249            | 0.250            | 0.253            | 0.258            |

(a) Does not include 300,669 tons of lower grade adjacent and/or between proposed stopes.

### Construction and Equipment Addition

During the year the company continued the extensive capital works program initiated in 1967, consisting of the construction of mill and related buildings for the installation of the 1,000 ton per day treatment plant as well as the underground program deepening the shaft below the previous bottom level at 1500 feet.

Mill construction commenced with foundation excavation in April of 1968 and subsequent construction of buildings completed the following October. Equipment installation commenced in September and it is expected that the mill will be ready to operate by mid-April of 1969. During the tune-up period from mid-April the mill will be operated at a reduced tonnage pending the termination of the custom milling contract on June 30, 1969.

To provide the necessary water supply for the mill, a 1.25 mile road was constructed and buried pipe line installed from a creek which flows into Lake Dubuisson, to the mill site. Pump stations were established at each end of the pipe line. At the mill site a main well and pump house was built with the well connected to a one million gallon reservoir formed by two dams constructed on a creek which flows through the plant site. Two water supply pumps as well as a fire pump are installed at the mill pump house, together with a 100,000 gallon water tank which supplies the sprinkler system now installed in the mine surface plant and currently being installed in the mill.

A 2500 foot double tailings discharge line was built along with a tailings storage and pond facility. The main powder magazines were moved to a new location to conform with safety regulations regarding distance from the plant site. Additional shop equipment has been acquired to supplement the present shop as well as to equip a mill repair shop located in the main mill building.

In connection with the underground program the shaft was deepened from the 1676 ft. horizon to the 2304 ft. horizon with five new levels established at 150 foot intervals from the 1650 foot to the 2250 foot horizons. Drifting on the 1650 and the 1800 foot levels is scheduled to commence very shortly to be followed by a program of diamond drilling on these levels with similar work scheduled for the other levels as they become available. At the 1950 foot level a new crusher room excavation is currently in progress and the main sump and loading pocket has been established at the 2180 foot horizon.

A new 36" x 48" jaw crusher has been purchased and will be installed in about three weeks when the crusher room excavation is completed. Two new skips and a cage-skip combination were purchased and are now in service to provide a better hoisting facility from the lower levels. Two new pumps were also purchased and are in service on the new sump at the 2180 foot horizon.



In order to determine if trackless mining equipment could be utilized to advantage in the mine an Atlas Copco Cavo 310 machine was put into use and is currently under test. Results to date have proved satisfactory. Three additional 4.5 ton mine cars were also purchased and now in service.

All of the foregoing has been completed within the original cost estimate, an achievement that can be considered a credit to all concerned in light of rapid escalation of costs for materials and services.

### **General**

Early in 1968 the underground ring drilling program was completed on the 1500 foot level and subsequent diamond drilling underground was principally directed to general exploration throughout the mine from the 450 foot level on down to the 1500 foot level. The purpose of this general drilling was to seek out any additional porphyry plugs or pipes and sedimentary or diorite ore that might exist in the environs of the mine workings. After a program of careful and systematic drilling was completed during which nothing of commercial significance was found outside of the presently known ore areas, diamond drilling was suspended until development of the new 1650 foot level was sufficiently advanced to provide suitable drilling stations. Crosscutting on the 1650 foot level is expected to start shortly, directed toward the downward extension of the known ore zones outlined by down hole drilling from the 1500 foot level. Diamond drilling is expected to commence on the 1650 foot level during April and will be expanded on the new tier of levels established from the shaft sinking as these levels are developed.

Labour relations continued favourable with a minimum employee turnover during the year and operations did not experience any lack of qualified personnel of any category. A pension plan was put in force during 1968 and retirement made obligatory at age 65. The health insurance plan was improved and there was a general round of wage increases on April 1st of 1968 with similar increases to be made as of April 1st of 1969. At the year end 71 men were employed in the underground operation and 50 men on surface including staff for a total work force of 121 persons.

The company carried out a modest exploration program on outside properties during the year and in 1969 this policy of continuing exploration on a limited basis will be conducted. Drilling on an optioned property in Kreighoff Township, Quebec, returned low values in gold, copper and zinc in an anomalous zone outlined by electromagnetic ground survey. While the results to date have not shown any commercial implications it has been decided to retain the optioned ground in good standing for the present time as other work in progress in the immediate vicinity may provide additional information on the general area. A combined magnetometer and electromagnetic survey was also carried out on an optioned group of claims in Marriott Township, Ontario, disclosing some weak coincident anomalous zones and two drill holes have been proposed to test these anomalous areas. Drilling is scheduled to commence in the near future.

The efficient work of the employees, technical staff and others, especially our mill consultant Mr. D. R. Beaumont of Mindecon Limited, and the construction contractors, Betteridge-Smith and Guartins Limited of Noranda, who have contributed to this undertaking, is very much appreciated.

Respectfully submitted,

S. C. BROWN, B.A.Sc., P.Eng. (Ont),

Mine Manager.

March 20, 1969.



## BALANCE SHEET, DECEMBER 31, 1968

(with comparative figures at December 31, 1967)

### ASSETS

#### CURRENT ASSETS

Cash .....  
Bullion, at net realizable value .....  
Receivable under The Emergency Gold Mining Assistance Act .....  
Accounts receivable .....  
Ore stockpile, at net realizable value .....  
Supplies, at cost .....  
Prepaid expenses and deposits .....

#### FIXED ASSETS

Buildings and equipment, at cost .....  
Less accumulated depreciation .....  
  
Buildings and equipment under construction, at cost .....  
Mining properties and options (note 1) .....

#### OTHER ASSETS AND DEFERRED EXPENDITURES

Special refundable tax .....  
Receivable from employees .....  
Preproduction expenditures less amortization .....  
Deferred development and exploration expenditures less amortization .....

### LIABILITIES

#### CURRENT LIABILITIES

Bank advances, secured (note 2) .....  
Accounts payable and accrued liabilities .....  
Taxes payable .....

### SHAREHOLDERS' EQUITY

#### CAPITAL STOCK (note 3)

Authorized — 5,000,000 shares, par value \$1 each .....  
Issued — 3,408,107 shares (3,406,107 shares in 1967) .....  
Discount thereon (net) .....

#### RETAINED EARNINGS



# CAMFLO MINES LIMITED

(Incorporated under the laws of Ontario)



## AUDITORS' REPORT

| 1968      | 1967        |
|-----------|-------------|
| 13,166    | \$ 45,134   |
| 587,521   | 263,389     |
| 42,017    | 2,018       |
| 976       | 11,578      |
| 20,839    | 10,740      |
| 78,627    | 35,503      |
| 28,625    | 25,580      |
| 771,771   | 393,942     |
| 1,369,661 | 1,152,929   |
| 392,895   | 260,490     |
| 976,766   | 892,439     |
| 1,234,300 | 272,437     |
| 95,200    | 95,500      |
| 2,306,266 | 1,260,376   |
| 56,525    | 56,513      |
| 16,500    |             |
| 636,137   | 847,947     |
| 334,875   | 232,880     |
| 1,044,037 | 1,137,340   |
| 4,122,074 | \$2,791,658 |
| 1,000,000 |             |
| 252,838   | \$ 330,549  |
| 28,395    | 49,730      |
| 1,281,233 | 380,279     |
| 3,408,107 | 3,406,107   |
| 1,852,380 | 1,857,380   |
| 1,555,727 | 1,548,727   |
| 1,285,114 | 862,652     |
| 2,840,841 | 2,411,379   |
| 4,122,074 | \$2,791,658 |

To the Shareholders of  
CAMFLO MINES LIMITED

We have examined the balance sheet of Camflo Mines Limited as at December 31, 1968 and the statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON

Chartered Accountants

Toronto, Canada  
January 31, 1969

Approved by the Board:

A. W. STOLLERY, Director.

GEO. T. SMITH, Director.



## STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 1968

(with comparative figures for 1967)

|   | <u>1968</u>        | <u>1967</u>        |
|---|--------------------|--------------------|
| Bullion production .....                                | <u>\$3,787,957</u> | <u>\$3,666,217</u> |
| OPERATING EXPENSES                                      |                    |                    |
| Development .....                                       | 72,228             | 137,580            |
| Mining .....  | 1,038,583          | 1,028,595          |
| Milling and transportation .....                        | 823,775            | 736,627            |
| General expenses at the mine .....                      | 230,259            | 164,720            |
| Marketing .....   | 27,096             | 25,090             |
| Outside exploration .....                               | 8,193              | 20,553             |
| Administration .....                                    | 142,860            | 83,426             |
|   | <u>2,342,994</u>   | <u>2,196,591</u>   |
| Deduct emergency gold mining assistance .....           | 40,000             | 5,650              |
|   | <u>2,302,994</u>   | <u>2,190,941</u>   |
|   | <u>1,484,963</u>   | <u>1,475,276</u>   |
| Depreciation .....                                      | 136,794            | 115,150            |
| Amortization of preproduction expenditures .....        | 211,810            | 211,810            |
| Amortization of deferred development expenditures ..... | 78,606             | 50,427             |
| Loss on sale of equipment .....                         | 12,575             | 1,854              |
|   | <u>439,785</u>     | <u>379,241</u>     |
| Income before undernoted item .....                     | 1,045,178          | 1,096,035          |
| Quebec mining tax .....                                 | 111,500            | 116,000            |
| Net income for the year (note 4) .....                  | <u>\$ 933,678</u>  | <u>\$ 980,035</u>  |

## STATEMENT OF RETAINED EARNINGS

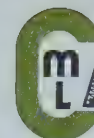
YEAR ENDED DECEMBER 31, 1968

(with comparative figures for 1967)

|   | <u>1968</u>        | <u>1967</u>       |
|---|--------------------|-------------------|
| Balance at beginning of year .....                              | \$ 862,652         | \$ 619,920        |
| Net income for the year .....                                   | 933,678            | 980,035           |
|   | <u>1,796,330</u>   | <u>1,599,955</u>  |
| DEDUCT  |                    |                   |
| Reduction in emergency gold mining assistance claim for 1965 .. |                    | 56,082            |
| Dividends paid .....  | 511,216            | 681,221           |
|   | <u>511,216</u>     | <u>737,303</u>    |
| Balance at end of year .....                                    | <u>\$1,285,114</u> | <u>\$ 862,652</u> |



# CAMFLO MINES LIMITED



## STATEMENT OF SOURCE AND APPLICATION OF FUNDS YEAR ENDED DECEMBER 31, 1968

(with comparative figures for 1967)

|  | <u>1968</u>         | <u>1967</u>      |
|--|---------------------|------------------|
| <b>SOURCE OF FUNDS</b>   |                     |                  |
| Operations   |                     |                  |
| Net income for the year .....                                      | \$ 933,678          | \$ 980,035       |
| Add expenses which do not involve a current outlay of funds        |                     |                  |
| Depreciation .....   | 136,794             | 115,150          |
| Amortization of preproduction expenditures .....                   | 211,810             | 211,810          |
| Amortization of deferred development expenditures .....            | 78,606              | 50,427           |
| Loss on disposal of fixed assets .....                             | 12,575              | 1,854            |
| Other .....  | 300                 | 1,000            |
|  | <u>1,373,763</u>    | <u>1,360,276</u> |
| Issue of capital stock .....                                       | 7,000               | 19,000           |
| Reclassification of deposits previously included in fixed assets . |                     | 17,760           |
| Proceeds from sale of fixed assets .....                           | 80                  | 1,050            |
|  | <u>1,380,843</u>    | <u>1,398,086</u> |
| <br><b>APPLICATION OF FUNDS</b>                                    |                     |                  |
| Additions to   |                     |                  |
| Buildings and equipment .....                                      | 1,195,639           | 479,881          |
| Deferred development and exploration expenditures .....            | 180,601             | 69,743           |
| Mining options and properties .....                                |                     | 300              |
| Advances to employees for housing .....                            | 16,500              |                  |
| Special refundable tax .....                                       | 12                  | 17,330           |
| Dividends .....  | 511,216             | 681,221          |
| Reduction in emergency gold mining assistance claim for 1965       |                     | 56,082           |
|  | <u>1,903,968</u>    | <u>1,304,557</u> |
| Increase (decrease) in working capital position .....              | (523,125)           | 93,529           |
| Working capital (deficiency) at beginning of year .....            | 13,663              | (79,866)         |
| Working capital (deficiency) at end of year .....                  | <u>\$ (509,462)</u> | <u>\$ 13,663</u> |





## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1968

### 1. MINING PROPERTIES

Fourniere Township, Quebec

8 mining claims acquired for 900,000 shares of the company's capital stock at 10 cents per share, and \$5,200 cash ..... \$ 95,200  
During 1968 options having a cost of \$300 were dropped.

### 2. BANK ADVANCES

The bank advances are secured by:

- (a) Demand promissory notes;
- (b) A first fixed and specific charge of all of the company's interest in real properties, mining and surface leases, mining licences and claims and any and all fixed plant; and
- (c) A first floating charge of all of the company's other property and assets, present and future, of all kinds and wherever situate.

### 3. CAPITAL STOCK

Issued during year

Employee options on shares of capital stock were exercised during the year resulting in the issuance of 2,000 shares for cash at \$3.50 per share (1967 — 9,500 shares for cash at \$2.00 per share). The premium thereon has been credited to discount on shares.

Options

At December 31, 1968 there were outstanding options held by employees to purchase 4,000 shares of capital stock of the company and exercisable at the rate of 2,000 shares annually at \$3.50 per share during the two year period July 2, 1968 to July 1, 1970.

### 4. INCOME TAXES

No provision for income taxes is required because the company's mineral income is exempt from such taxes for three years from May 1, 1965 to April 30, 1968 and as depreciation and amortization provided in the accounts in prior years may be deducted from 1968 income for income tax purposes. Of the total of \$1,350,734 provided in the accounts for depreciation and amortization to December 31, 1968, \$1,038,000 has been utilized to eliminate taxable income in 1968 and \$312,734 will be available as a deduction in future years. In addition deductions relating to the depreciable fixed assets and the deferred expenditures totalling \$3,182,078 are available to be claimed for tax purposes in the future.

### 5. OTHER STATUTORY INFORMATION

Direct remuneration of directors and senior officers (as defined by The Corporations Act) amounted to \$76,098 (1967 — \$64,959).

### 6. COMPARATIVE FIGURES

The 1967 figures have been reclassified on the basis of 1968 presentation.

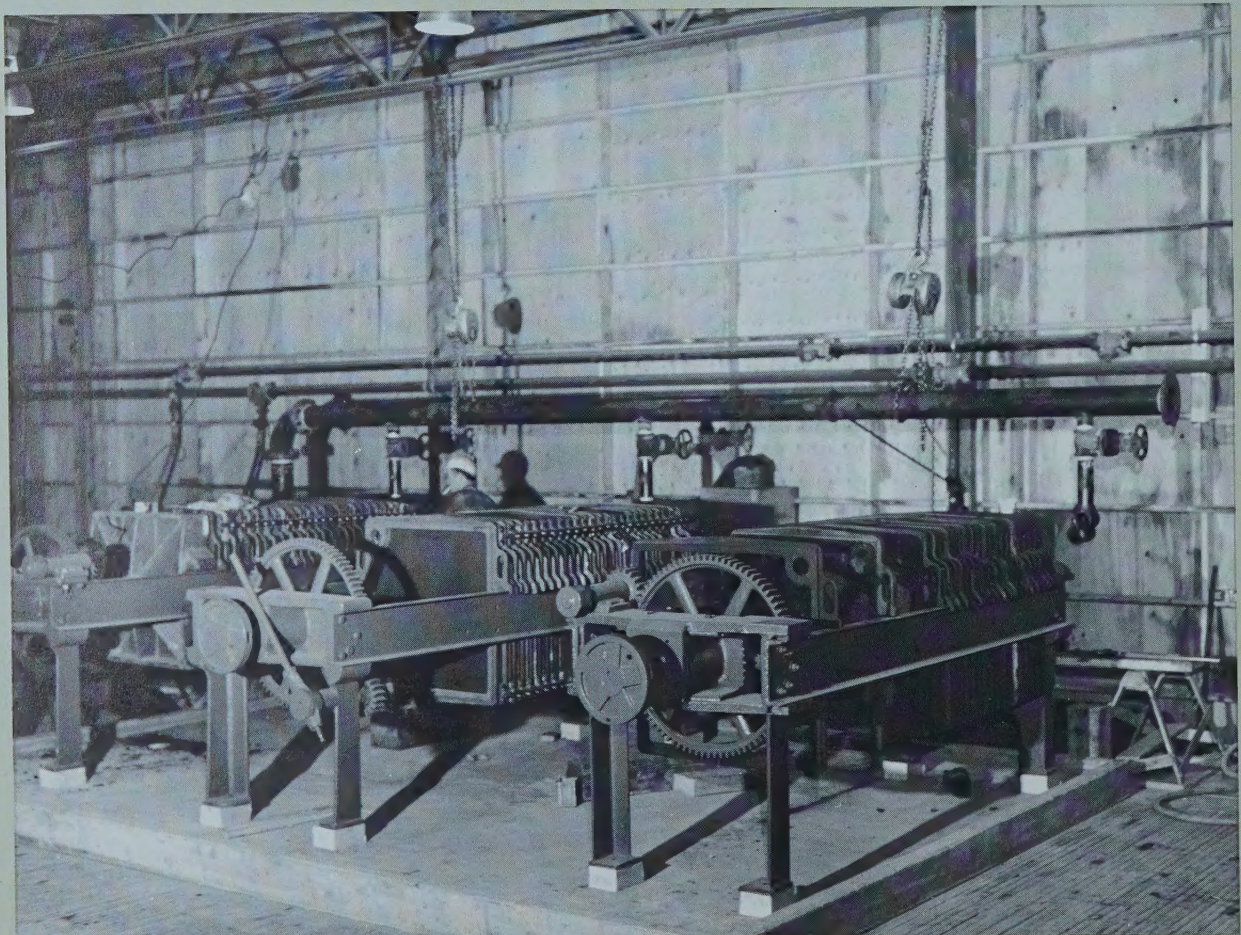
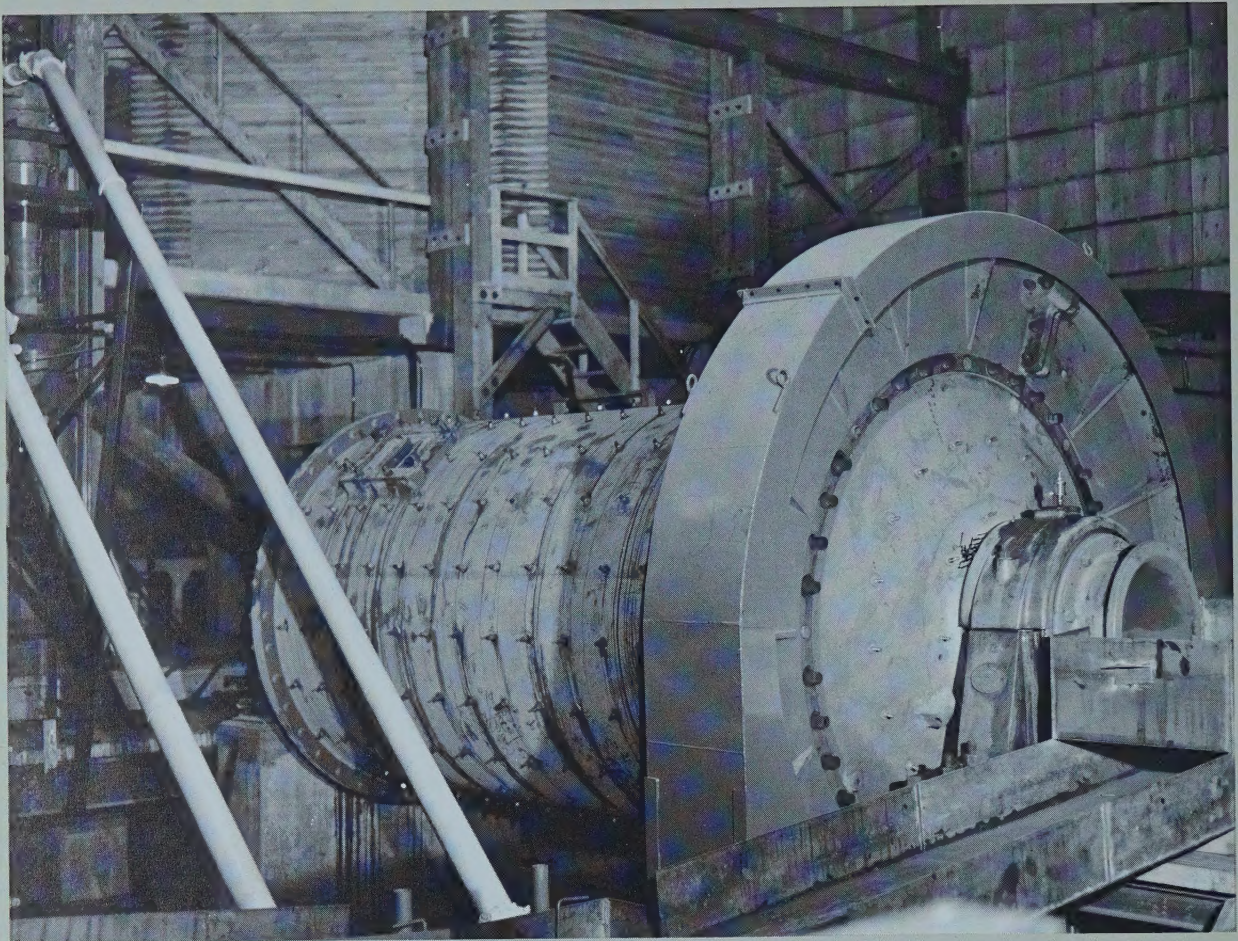




*Mill building with 100,000 gallon water tank at right.*



*Ball mill in grinding section.*



*Filter press.*





